

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
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 -----074574 221641Z /50

R 221427Z AUG 78
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 6930
INFO AMEMBASSY BERLIN
AMEMBASSY BONN
AMCONSUL FRANKFURT
AMCONSUL KRAKOW
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMCONSUL POZNAN

C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 7329

E.O. 11652: GDS
TAGS: EFIN, ETRD, PL, UR, GG
SUBJECT: VIEWS OF FIRST NATIONAL BANK OF CHICAGO OFFICIALS
ON POLAND'S FINANCIAL SITUATION

1. DEPARTMENT PLEASE PASS FOLLOWING TO EXIM BANK.
2. WILLIAM MCDONOUGH, EXECUTIVE VICE PRESIDENT OF
FIRST NATIONAL BANK OF CHICAGO (FNBC), ACCOMPANIED BY
EUROPEAN REGIONAL VICE PRESIDENTS ANKER AND MEISSNER

ARRIVED
AT THE EMBASSY AUGUST 21 TO DISCUSS POLAND'S INTERNATIONAL
INDEBTEDNESS, BALANCE OF PAYMENTS AND OTHER ECONOMIC
PROBLEMS. FIRST CHICAGO IS THE ONLY AMERICAN BANK MAIN-
TAINING A PERMANENT AMERICAN REPRESENTATIVE IN WARSAW.
MCDONOUGH HAD MET WITH BANK HANDLOWY, THE NA-
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TIONAL BANK OF POLAND AND THE MINISTRY OF FINANCE
EARLIER IN THE DAY.

3. OVERALL, MCDONOUGH AND HIS ASSOCIATES SEEMED TO
TAKE A MEDIUM VIEW OF POLAND'S CURRENT ECONOMIC
PERFORMANCE, BEING NEITHER UNDULY PESSIMISTIC NOR
OPTIMISTIC. THEY WERE IMPRESSED WITH THE REDUCTION

OF IMPORTS WHICH THE GOP HAS MANAGED TO EFFECT
SINCE EARLY THIS YEAR -- ALTHOUGH THEY WERE UNCERTAIN
AS TO HOW LONG IT COULD LAST -- DID NOT EXPECT

ANY SUBSTANTIAL INCREASE IN HARD CURRENCY EXPORTS TO
BE ACHIEVED IN THE NEAR FUTURE, ESPECIALLY TO THE
UNITED STATES. GIVEN THE EXCEPTIONALLY LARGE VOLUME
OF REPAYMENTS WHICH THE GOP MUST COVE DURING THE
NEXT TWO YEARS, THEY DO NOT EXPECT POLAND TO BEGIN
MOVING OUT OF ITS INDEBTEDNESS MORAASS UNTIL 1981,
DESPITE GOP CLAIMS THAT REAL PROGRESS WILL BEGIN IN
1980.

4. AMONG THE MORE SIGNIFICANT PTINTS MADE BY THE
FIRST CHICAGO OFFICERS DURING AN APPROXIMATELY
ONE HOUR MEETING WITH THE AMBASSADOR WERE THE
FOLLOWING:

(A) FIRST CHICAGO IS NOT RAISING ITS CREDIT LINE FOR
POLAND BUT IT IS LETTING THE POLES CONTINUE TO
BORROW AMOUNTS EQUAL TO WHAT THEY HAVE JUST
PAID BACK, I.E., A REVOLVING CREDIT LINE.

(B) WEST GERMAN BANKS NOW TALK A TOUGH LINE ON
POLAND, STRESSING THE COUNTRY'S TOTAL DEBT
LOAD AND HIGH DEBT-SERVICE RATION, WHICH FNBC
ESTIMATES AB BETWEEN 35 AND 45 PERCENT. BUT
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AT THE SAME TIME, THE GERMANS SEEM TO BE IN
CREASING THEIR MEDIUM-TERM CREDITS FOR
INDUSTRIAL CONSUMABLES, E.G. CHEMICALS,
PLASTICS, STEEL, TEXTILES, BUILDING MATERIALS.
FORMERLY THE POLES HAD TO PAY CASH FOR MANY
OF THESE ITEMS. HENCE, SUCH CREDITS ARE IM-
PORTANT RELIEF FOR POLISH INDUSTRY. THERE MAY
BE SOME HERMES BACKING FOR THESE
CREDITS.

(C) RUMORS OF SOVIET HARD-CURRENCY CREDITS FOR
POLAND ARE VERY DIFFICULT TO PIN DOWN. AND IT
SEEMS UNLIKELY THAT THE SOVIETS WOULD BE WILL-
ING TO PROVIDE THE HIGH VOLUME OF HARD-CURRENCY
ASSISTANCE WHICH POLAND NEEDS FOR A REALLY
SUCCESSFUL BAIL-OUT OPERATION.

(D) RESCHEDULING, IF POLES SHOULD EVER ATTEMPT
IT, WOULD BE AN EXTREMELY COMPLICATED AND AGON-
IZING AFFAIR, ESPECIALLY AS A MULTILATERAL EXER-
CISE BY WESTERN CREDITOR NATIONS. FIRST CHICAGO
IS AWARE OF NO INDICATIONS THAT THE POLES

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C O N F I D E N T I A L SECTION 2 OF 2 WARSAW 7329

WANT TO RESCHEDULE; THEY HAVE MADE NO
APPROACHES OR HINTS OF ANY KIND REGARDING
INABILITY TO MEET THEIR OBLIGATIONS. FIRST
CHICAGO DOES NOT RPT NOT SHARE EXIM BANKS
REPORTED CONCERN ABOUT POLANDS FUTURE
ABILITY TO MEET COMMITMENTS.
(E) THE "GOOD WILL" AND OVERALL FAVORABLE IMAGE AS
A CULTURED, SOPHISTICATEDN ALBEIT EXPLOITED AND
SUPPRESSED, EUROPEAN COUNTRY WHICH POLAND ENJOYS
IN THE THE UNITED STATES IS A STRIKING FACTOR. PER-
HAPS MORE THAN ANY OTHER COUNTRY IN THE COMECON
BLOC IT IS REGARDED IN AMERICAN MORE AS A
"EUROPEAN COUNTRY" THAN AN "EAST EUROEPAN COUN-
TRY." AND THE TREMENDOUS IMPACT AND PRESENCE OF
POLONIA IN THE UNITED STATES, AND ESPECIALLY IN
SOME SECTORS SUCH AS THE MID-WEST, IS SOME
THING THAT CANNOT BE OVERLOOKED.
(F) BANK HANDLOWY SENIOR OFFICIALS BROUGHT UP THE
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RECENTLY RELEASED CIA REPORT ON POLAND'S ECONOMIC

PROBLEMS DURING THE FNBC OFFICERS' MEETING
WITH THEM. THE NADLOWY OFFICIALS WERE "UPTIGHT
AND WORRIED ABOUT IT." THEY ASKED WHAT BEARING
THIS RELEASE MIGHT HAVE ON US FEDERAL RESERVE
BANK AND THE COMPTROLLER GENERALS THINKING ON POLAND.
(G) THE EXPECTED EXTENSION OF NEW UNITED STATES
CCC CREDITS TO POLAND FOR THE UPCOMING FISCAL
YEAR WILL DEFINITELY HELP POLAND'S CREDIT
RATING- AS A GRAPHIC INDICATION OF U.S.
GOVERNMENT CONFIDENCE IN ITS ABILITY TO HANDLE
A LARGE AMOUNT OF NEW SHORT-TERM DEBT.
SCHAUFELLE

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